

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
IO-13 ACDA-12 /091 W
-----090899 291716Z /43

R 281445Z APR 78
FM USMISSION USBERLIN
TO SECSTATE WASHDC 6751
INFO AMEMBASSY BERLIN
AMEMBASSY BONN

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E.O.11652: NA
TAGS: EGEM, 38,, GW, WB
SUBJECT: NEW MEASURES T AID BERLIN VIABILITY TAKE SHAPE

REF: (A) USBERLIN 0647, (B) USBERLIN 072R, (C) USBERLIN A-41

SUMMARY: NEW SENAT/FRG PROGRAMS FOR FURTHERING BERLIN
EXONOMIC VIABILITY HAVE MOVED NEARER TO REALIZATION IN
RECENT WEEKS. BUNDESTAG FINANCE COMMITTEE AND BULTI-
PARTY PRESIDENTIAL COMMISSION SEPARATELY HAVE APPROVED
PORTIONS OF BERLIN DM 900 MILLION AID PACKAGES WHICH ARE
EXPECTED BY SENAT TO GAIN FINAL APPROVAL IN THE FALL. END SUMMARY.

1. ON APRIL 26 BUNDESTAG FINANCE COMMITTEE REPORTEDLY
APPROVED MOST OF LIST OF SPECIFIC RECOMMENDATIONS FOR
CHANGES IN BERLIN PREFERENCE LAW SUBMITTED FOR CONSIDERATION
BY BERLIN SENAT (BERLIN A-41, APRIL 24, 1978). THESE
UNDRAMATIC CHANGES WHICH ORIGINATED IN THE OFFICE OF THE
SENATOR FOR ECONOMICS WERE A CAREFUL MIXTURE OF NEW AND
EXPANDED BENEFITS ALONG WITH CUTTING BACK ON CERTAIN
PAYMENTS TO TOBACCO, COFFEE AND ALCHOHOL PROCESSORS IN ORDER TO
FEND OFF ANY FRG LAENDER CRITICISM OF BERLIN PREFERENCES.
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2. DURING THE CONSIDERATION OF THESE PROPOSALS FINANCE
COMMITTEE REPORTEDLY REJECTED CDU/CSU FACTION PROPOSAL TO
INCLUDE HIGHTER DEPRECIATION ALLOWANCES FOR BERLIN BUILDINGS
BUILT PRIOR TO 1918. COMMITTEE WILL STUDY PROPOSED ADDI-
TIONAL 10 PERCENT PREMIUM FOR PERSONNEL COSTS IN RESEARCH
AND DEVELOPMENT SECTOR. THESE PROPOSALS MUST STILL

RECEIVE APPROVAL OF BUNDESTAG PLENUM, BUNDESRAT AND BERLIN HOUSE OF REPRESENTATIVES.

3. IN ADDITION, FURTHER WORK WAS DONE BOTH IN BERLIN AND BONN ON EXPANDED, MORE COSTLY AND DRAMATIC CHANGES IN GENERAL STRUCTURE OF FRG SUPPORT BEING CONSIDERED BY PRESIDENT SCHEEL'S BERLIN COMMISSION, SET UP LAST OCTOBER IN RESPONSE TO STANDING APPEAL OF BERLIN CHAMBER OF COMMERCE AND INDUSTRY AND IN THE GENERAL FRAMEWORK OF FRG/SENAT/ALLIED REVIEW OF UNDERLYING PROBLEMS OF BERLIN VIABILITY. THIS WORK HAS BEEN PROCEEDING QUIETLY AS AD HOC MEETING OF REPRESENTATIVES OF ALL PARTIES, UNDER THE CHAIRMANSHIP OF STATE SECRETARY FRNAK OF BUNDESPAESIDIALAMT.

4. APRIL MEETING OF COMMISSION REVIEWED PROGRESS TO DATE, LOOKING FAVORABLY ON SUGGESTIONS FOR GRADUAL ELIMINATION IN BERLIN OF TRADE TAX, RAISING OF SPECIAL CHILD ALLOWNACE IN BERLIN FROM 22 TO 50 MARKS MONTHLY, ADD SPECIAL SUPPORT FOR BUILDING 500 APARTMENTS IN TIERGARTEN AREA.

5. OTHER SUGGESTIONS WHICH COMMISSION HAS UNDER CONSIDERATIONS WERE RELEGATED TO FORTHER STUDY. THESE INCLUDED INCREASED CORPORATE TAX ADVANTAGE FOR BERLIN FIRMS, DEMAND THAT FRG MOVE ADDITIONAL GOVERNMENTAL AND QUASI-GOVERNMENTAL OFFICES TO BERLIN, AND INCREASED SUBSIDIES FOR BERLIN AIR FARES. COMMISSION NOW REPRTEDELY EXAMINING LIMITED OFFICIAL USE

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IDEA THAT INCREASED AIR FARE SUBSIDY SHOULD DEPEN ON NATURE OF RAIL CONNECTIONS FROM BERLIN TO FRG DESTINATION. THE MORE DIFFICULT THE RAIL CONNECTIONS, THE MORE THE SUBSIDIES SHOOULD LOWER PRICE OF AIRLINE TICKETS. OTHER PROGRAM SUNDER CONSIDERATION INCLUDE FINANCIAL AID TO SMALL AND MIDDLE SIZED BERLIN INDUSTRY TO KEEP SUCH FIRMS ABREAST OF TECHNOLOGICAL CHANGE AND TO EXPAND THEIR DISTANT MARKET PNETRATION, AS WELL AS CREATION OF A SPECIAL FUND TO FINANCE INTRODUCTION OF NEW PRODUCTS AND TECHNIQUES. THER ARE ALSO PROPOSALS UNDER STUDY TO FURTHER ENRICH BERLIN CULTURAL LIFE AND TO IMPROVE PUBLICIZING OF THE CITY.

6. COMMENT: BERLIN COMMISSION WAS CALLED BY PRESIDENT SCHEEL AS AN ALL-PARTY NATIONAL EFFORT TO HELP BERLIN ECONOMY AND HAS BEEN CONDUCTING MEETINGS WITH MINIMUM PUBLICITY TO REDUCE FACTIONAL MANEUVERING. FIRST PUBLIC LEAKS ABOUT ITS PROPOSED PROGRAMS APPEARED IN MACH AS COMMISSION BELIEVED IT WAS MOVING CLOSER TO AGREED FINAL PROPOSALS. INEVITABLY, SOCIAL PHILOSOPHIES OF POLITICAL PARTIES AND CONTRIBUTING INTEREST GROUPS HAVE BEEN COLORING DISCUSSIONS. BERLIN CHAMBER OF COMMERCE AND INDUSTRY INPUT HAS TENDED T FAVOR PROJECTS IMPROVING PROFIT

PROSPECTS FOR BUSINESS ON ASSUMPTION THAT HIS LOCOMOTIVE WOULD TRIGGER INVESTMENT AND IN TURN JOBS AND GENERAL MUNICIPAL ECONOMIC AND CULTURAL ACTIVITY. OTHER PARTICIPANTS IN COMMISSION HAVE STRESSED EFFORTS TO IMPROVE QUALITY OF LIFE IN BERLIN IN ORDER TO ENCOURAGE PEOPLE TO WANT TO VISIT, MIGRATE AND REMAIN IN CITY WITH SUBSEQUENT ENLIVEMENT OF ECONOMIC LIFE. PROGRAMS SO FAR RECEIVING COMMISSION'S ENDORSEMENT MARRY THESE CONCEPTS.

7. SNEATOR FOR FINANCE RIEBSCHLAGER HAS PUBLICLY AND PRIVATELY EXPRESSED HIS RESERVATIONS THAT PROPOSAL TO REDUCE TRADE TAX WILL NOT BE A NET GAIN FOR BERLIN SINCE IT WOULD COST CITY SOME DM 370 MILLION REVENUE. SUM WOULD THEN REAPPEAR IN FRG BUDGET AS SUBSIDY FOR CITY, THEREBY LIMITED OFFICIAL USE

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FURTHERING IMAGE OF BERLIN FINANCIAL DEPENDENCE ON FRG. GOVERNING MAYOR STOBBE SHARES RESERVATIONS THAT PRESENT PROPOSALS MAY NOT BE MOST EFFECTIVE USE FOR ADDITIONAL DM 900 MILLION WHICH THE FRG IS PREPARED TO INVEST IN BERLIN VIABILITY BUT IS NOT PREPARED TO LOOK FRG GIFT HORSE IN MOUTH. SENAT BELIEVES BOTH COMMISSION AND SENAT/BUNDESTAG FINANCE COMMITTEE PROGRAMS MAY BE FINALLY APPROVED IN FALL, BUT EXPECTS FURTHER CHANGES IN PROGRAM CONTEXT ALONG ROAD TO FINAL APPROVAL. SEMLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMUNITY RELATIONS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978USBERL01032
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780184-0246
Format: TEL
From: USBERLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978043/aaaaabuj.tel
Line Count: 145
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 002954a9-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 USBERLIN 647, 78 USBERLIN 72, 78 USBERLIN A-41
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2886037
Secure: OPEN
Status: NATIVE
Subject: NEW MEASURES T AID BERLIN VIABILITY TAKE SHAPE
TAGS: EGEN, GE, WB
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/002954a9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014